

QUARTERLY STATEMENT AS OF 30 SEPTEMBER 2020

Medios AG: Further dynamic growth

- Revenue growth of around 22% in the first nine months of 2020
- Corona-related special effects continue to burden earnings – but third quarter earnings improve compared to second quarter of 2020
- Forecast for the full year confirmed

Medios AG ("Medios"), one of the leading Specialty Pharma companies in Germany, has continued its dynamic revenue growth in the first nine months of 2020 (9M 2020). Consolidated revenue from January to September increased by around 22% to €453m compared to the same period of the previous year (€372m). Consolidated earnings before interest, taxes, depreciation and amortization, adjusted for extraordinary expenses (EBITDA before extraordinary items), amounted to €10.2m (previous year's period: €14.1m). Consolidated earnings before taxes, adjusted for extraordinary items (EBT before extraordinary items), amounted to €8.0m (previous year's period: €12.8m). The disproportionate earnings performance in relation to revenue is due in particular to the corona-related special effects: The stockpiling that began in the first quarter as a result of the allocation of quotas for certain drugs was carried out at higher purchase prices and thus led to lower margins than planned. This effect continued in the second and third quarter. But compared to the weak second quarter, Medios shows a positive development for the third quarter 2020: Revenue rose by 23% to around €160m, and EBT before extraordinary items have significantly improved to €3.1m compared to the second quarter. Medios confirms the forecast for the 2020 financial year.

Significant events and developments in the reporting period

- **Acquisition of Kölsche Blister GmbH**
With the acquisition of Kölsche Blister GmbH in the first quarter of 2020, Medios' business model was expanded with the service of patient-specific blistering. This is the patient-related repackaging of finished pharmaceuticals on individual request.
- **Re-placement oversubscribed several times – free float over 60%**
In mid-May 2020, 600,000 shares of Medios AG were placed. The shares were sold to international institutional investors as part of a private placement. After a short time, the offer was oversubscribed more than three times. The shareholders were not diluted.

- **Initiation of coverage by Jefferies**

In May 2020, Jefferies Group LLC, the largest independent global full-service investment banking company headquartered in the USA, initiated the coverage of Medios AG and has been reporting on the Company's development since then.

- **Financing measures**

In the first quarter, Medios has signed a syndicated loan agreement in the amount of €62.5m. As part of a cash capital increase successfully carried out at the beginning of June 2020, Medios generated gross issue proceeds of around €53m excluding shareholders' subscription rights, which led to an increase in share capital of almost 10.0% to around €16.1m.

The funds generated through the aforementioned capital-raising activities are intended to be used to finance the organic and inorganic growth and to make further acquisitions when required in order to benefit from the consolidation of the pharmaceutical market.

- **Centralization of administration and rental of an additional building**

In April, the administrative units were consolidated at new premises in Berlin-Mitte. In addition, Medios signed a contract in July to rent another building with a total area of around 4,500m² at an existing location in Berlin. In particular, the Company intends to establish additional laboratories for the production of patient-specific therapies and to optimize logistics. In addition, the majority of the operating activities in Berlin are to be concentrated at this new Medios location.

- **Further development of mediosconnect**

Medios has further advanced the development and services of the digital platform mediosconnect. This self-developed platform connects doctors, health insurance companies and specialized partner pharmacies with each other and serves as an ordering and billing portal. mediosconnect simplifies the ordering and billing processes and thus contributes to an increase in efficiency in the health system.

The number of users as well as the number of ordering and billing processes carried out is constantly increasing. This is partly due to the introduction of the software in another federal state (Mecklenburg-Vorpommern) in addition to Berlin.

In a next step, Medios intends to establish an e-prescription-capable platform that offers added value for doctors, health insurance companies, specialized partner pharmacies and patients, so that both these stakeholders and Medios itself, can benefit from the increasing digitalization in the healthcare system.

- **Successful implementation of the new indication hemophilia**

Due to the new legal regulation for the drug supply of hemophilia patients, effective from 1 September 2020, Medios was able to successfully start distribution in the previously inaccessible indication area. Such therapies must be administered to patients throughout their lives and are among the most expensive therapies worldwide.

- **Inclusion in the SDAX**

On 21 September 2020, Medios AG was included in the selection index of Deutsche Börse SDAX. The SDAX comprises the 70 largest companies below the MDAX in terms of market capitalization and trading volume.

- **Growing number of employees**

As of 30 September 2020, the Medios Group had a total of 276 employees, 94 more than in the previous year (30 September 2019: 182 employees).

Significant events after the end of the reporting period

- **Changes in the Executive Board with effect from 1 January 2021**

In October, the Supervisory Board of Medios AG decided to appoint Matthias Gärtner, CFO, additionally as Chairman of the Executive Board with effect from 1 January 2021. Furthermore, his Executive Board contract is shortly to be extended prematurely by two years to 30 June 2023. The acting Chairman of the Executive Board, Manfred Schneider, will not extend his contract, which is planned to expire on 31 December 2020, but will leave the Executive Board due to family reasons. Therefore, the Executive Board will consist of a three-member team with the other current members Mi-Young Miehler (COO) and Christoph Prußeit (CINO).

As founder and major shareholder, Manfred Schneider will remain closely associated with Medios AG and is to become a key member of a new Advisory Board to be established for the Company. In addition, Manfred Schneider has already agreed to a voluntary six-month lock-up agreement for the major part of his Medios shares.

- **Research coverage extended**

Metzler Capital Markets initiated the coverage of Medios AG at the end of October and recommended the shares of the Company for purchase ("Buy"). In addition to Metzler Capital Markets, Medios continues to be covered by Berenberg, Jefferies, Kepler Cheuvreux and Warburg.

Financial performance and financial position

Unless otherwise stated, the following statements refer to the first nine months of the current 2020 financial year. In the first nine months of 2020, revenue of the Medios Group increased by 21.9% to around €453m compared to the same period last year (€372m). The largest growth driver was the Pharmaceutical Supply segment with a plus of €72.1m or 21.6% to €406.0m (previous year's period: €333.9m). The Patient-specific Therapies segment increased its revenue by €9m or 23.8% to €46.5m (previous year's period: €37.6m). Of this growth, €3.5m are attributable to the inclusion of Kölsche Blister GmbH revenue from the second quarter of 2020 onwards. Revenue in the Services segment increased by €0.1m or 103.9% to €0.3m (previous year's period: €0.2m). The segment generates external revenues with IT services for partner pharmacies.

All revenues were generated almost exclusively within the Federal Republic of Germany. In line with revenue growth, the number of specialized pharmacies supplied increased significantly to around 330. The Company was thus able to notably expand its partner network in the first nine months of the year (31 December 2019: 200 partner pharmacies). Through the acquisition of Kölsche Blister GmbH in the first quarter of 2020, around 80 partner pharmacies were integrated into the network.

In the first nine months of 2020, EBITDA before extraordinary items decreased by €3.9m or 27.3% to €10.2m compared to the same period last year (€14.1m). EBT before extraordinary items fell by €4.8m or 37.5% to €8.0m (previous year's period: €12.8m).

Due to the above-mentioned corona-related special effects, which led to higher purchase prices and thus to lower margins, EBITDA before special effects in the Pharmaceutical Supply segment decreased as a result from €8.5m in the first nine months of 2019 to €6.0m in the first nine months of 2020. EBITDA before special effects in the Patient-specific Therapies segment decreased slightly to €4.3m compared to €4.6m in the previous year, which is mainly due to higher internal billing. The Services segment achieved an EBITDA before special effects of €-0.1m, compared to €0.9m in the same period of the previous year. The previous year included one-off proceeds of €0.9m from the sale of the property in Berlin-Charlottenburg.

EBITDA and EBT were adjusted for extraordinary items due to stock options in the amount of €0.6m, expenses for M&A activities of €0.6m (EBITDA) and €0.9m (EBT), respectively, and the amortization of the customer base capitalized in 2018 following the acquisition of operating units of BerlinApotheke Schneider & Oleski oHG, as well as the addition of new customers through the acquisition of Kölsche Blister GmbH in the amount of €0.5 million.

The operating cash flow increased by €2.9m to €6.9m.

Total assets amounted to €208.9m as of 30 September 2020 (previous year: €116.6m). The increase is mainly driven by increased inventories for stockpiling as a result of the COVID-19 pandemic and the entry into the hemophilia product area, while trade payables increased in the opposite direction. The successful cash capital increase led to an increase in cash and cash equivalents as well as in equity, which amounted to €140.0m as of 30 September 2020. The equity ratio nevertheless fell to 67.0%.

Despite the continuing temporary corona-related effects, the third quarter of 2020 shows a significant improvement in both revenues and earnings compared to the second quarter of 2020: Revenue increased from €130m (Q2/2020) to €160m (Q3/2020). EBT before extraordinary items rose to €3.1m (Q3/2020) compared to the second quarter of 2020, when it was €1.2m.

Outlook

Despite the challenging market environment, Medios continues to expect dynamic revenue growth. The Company assumes that the extraordinary corona-related special effects in connection with the quota allocation will continue in the fourth quarter of 2020 and will burden the Company's earnings.

According to the forecast revised on 5 August 2020, Medios expects consolidated revenue for the 2020 financial year – including the acquisition of Kölsche Blister GmbH in March 2020 – to amount to approximately €610 to 630m. In addition, Medios expects an EBITDA before extraordinary items of around €14.0 to 15.0m and an EBT before extraordinary items of around €11.5 to 12.5m. Furthermore, the Company remains optimistic that it will be able to reach the one billion € mark in revenues by 2023 at the latest.

Key financials (IFRS)

In € thousand	9M 2020	9M 2019	Delta in %	Q3 2020	Q3 2019	Delta in %
Revenue	452,900	371,679	21.9	160,015	143,172	11.8
- Pharmaceutical Supply	406,044	333,938	21.6	143,970	129,661	11.0
- Patient-specific Therapies	46,544	37,588	23.8	15,940	13,429	18.7
- Services	312	153	103.9	106	83	27.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	9,057	13,089	-30.8	2,972	6,019	-50.6
Margin (in % of Revenue)	2.0%	3.5%		1.9%	4.2%	
EBITDA without extraordinary expenses*	10,235	14,087	-27.3	3,760	6,375	-41.0
Margin (in % of Revenue)	2.3%	3.8%		2.4%	4.5%	
- Pharmaceutical Supply	5,958	8,543	-30.3	1,829	3,181	-42.5
- Patient-specific Therapies	4,340	4,620	-6.1	1,412	1,817	-22.3
- Services	-63	924	-106.9	519	1,368	-62.1
Consolidated earnings before taxes (EBT)	5,976	11,358	-47.4	1,802	5,457	-67.0
Margin (in % of Revenue)	1.3%	3.1%		1.1%	3.8%	
EBT without extraordinary expenses*	8,013	12,811	-37.5	3,122	5,965	-47.7
Margin (in % of Revenue)	1.8%	3.4%		2.0%	4.2%	
- Pharmaceutical Supply	4,951	8,121	-39.0	1,476	3,038	-51.4
- Patient-specific Therapies	3,528	4,020	-12.2	1,129	1,693	-33.3
- Services	-466	670	-169.6	516	1,224	-57.9
Comprehensive income after taxes	4,269	7,958	0.0	1,101	3,987	-72.4
Earnings per share (in €)						
Undiluted	0.28	0.55	-49.1	0.07	0.27	-74.1
Diluted	0.27	0.54	-50.0	0.07	0.27	-74.1
Investments (CAPEX)	3,140	2,307	36.1	925	1,278	-27.6
Cash flow from operating activities	6,947	4,018	72.9	28	2,935	-99.1
* Extraordinary expenses						
- Expenses from share option programs	584	998	-41.4	195	356	-45.3
- Amortization of the customer base	503	456	10.3	175	152	15.5
- Other expenses M&A	594	0	n/a	594	0	n/a
- Financial expenses M&A	356	0	n/a	356	0	n/a
	30/09/2020	31/12/2019	Delta in %			
Balance sheet total	208,945	116,567	79.2			
Equity	139,972	81,627	71.5			
Equity ratio (in %)	67.0%	70.0%				

IFRS-group financial interim statement as at 30 September 2020

Statement of comprehensive income

In € thousand	9M 2020	9M 2019	Q3 2020	Q3 2019
Revenue	452,900	371,679	160,015	143,172
Change in stocks of finished goods and work-in-progress	45	462	32	440
Work performed and capitalized	17	97	0	-326
Other income	287	1,191	102	962
Cost of materials	426,723	348,091	151,283	134,113
Personnel expenses	10,631	7,548	3,784	2,666
Other expenses	6,839	4,701	2,109	1,451
Earnings before interest, taxes, depreciation and amortization (EBITDA)	9,057	13,089	2,972	6,019
Depreciation and amortization	2,568	1,623	947	519
Earnings before interest and taxes (EBIT)	6,488	11,466	2,025	5,500
Financial expenses	527	121	224	52
Financial income	15	13	1	8
Consolidated earnings before taxes (EBT)	5,976	11,358	1,802	5,457
Taxes	1,707	3,399	702	1,470
Consolidated earnings after taxes	4,269	7,958	1,101	3,987
Total consolidated earnings	4,269	7,958	1,101	3,987
Undiluted earnings per share (in €)	0.28	0.55	0.07	0.27
Diluted earnings per share (in €)	0.27	0.54	0.07	0.27

Consolidated balance sheet

ASSETS		
In € thousand	30/09/2020	31/12/2019
Non-current assets	45,548	37,136
Intangible assets	34,391	31,260
Property, plant and equipment	4,797	2,549
Right of use	6,139	3,045
Financial assets	220	283
Current assets	163,398	79,431
Inventories	32,064	16,053
Trade receivables	57,048	42,805
Other assets	6,839	4,787
Income tax receivables	191	165
Cash and cash equivalents	67,256	15,622
Balance sheet total	208,945	116,567
LIABILITIES		
Equity		
Subscribed capital	16,085	14,564
Capital reserves	103,828	51,273
Accumulated Group Result	20,058	15,789
Attributable to shareholders in the parent company	139,972	81,627
Liabilities		
Non-current liabilities	11,659	6,253
Financial Liabilities	6,578	2,577
Other provisions	968	0
Deferred tax liabilities	4,113	3,676
Current liabilities	57,314	28,688
Other provisions	388	501
Trade payables	48,987	12,882
Financial liabilities	1,236	3,664
Income tax liabilities	2,786	7,577
Other liabilities	3,918	4,064
Total liabilities	68,974	34,941
Balance sheet total	208,945	116,567

Consolidated cash flow statement

In € thousand	9M 2020	9M 2019	Q3 2020	Q3 2019
Cash flow from operating activities				
Net income for the year	4,269	7,958	1,101	3,987
Depreciation and amortization on non-current assets	2,568	1,623	947	519
Decrease/increase in provisions	-114	-50	-6	81
Other non-cash expenses	584	998	195	356
Increase in inventories, trade receivables and other assets not attributable to investment or financing activities	-30,857	-13,744	-26,053	-1,993
Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	34,835	4,337	29,489	-495
Financial result	512	108	223	43
Income/expenses from the disposal of assets	-1	-865	0	-865
Income tax expense	1,707	3,399	702	1,049
Income tax payments	-6,557	253	-6,570	253
Net cash inflow/outflow from operating activities	6,947	4,018	28	2,935
Cash flow from investment activities				
Payments made for investments in intangible assets	-1,203	-1,496	-532	-1,381
Payments made for investments in property, plant and equipment	-1,937	-810	-393	104
Payments from disposals of tangible fixed assets	15	4,183	4	4,183
Payments from disposals of non-current financial assets	62	54	21	54
Payments for additions to the consolidated group	-1,163	0	0	0
Interest received	15	13	1	8
Net cash outflow from investment activities	-4,210	1,943	-899	2,967
Cash flow from financing activities				
Proceeds from equity injections	51,991	0	-19	0
Proceeds from financial liabilities	19,000	0	0	0
Outflows from the repayment of financial liabilities	-17,500	0	-17,500	0
Interest paid	-735	-137	-308	-68
Repayments of the leasing liabilities	-881	-349	-356	-88
Net cash inflow from financing activities	51,875	-487	-18,182	-155
Net change in cash and cash equivalents	54,611	5,474	-19,054	5,747
Cash and cash equivalents at the beginning of the financial year	12,645	11,772	86,310	11,499
Cash and cash equivalents at the end of the financial year	67,256	17,246	67,256	17,246

Consolidated statement of changes in equity

In € thousand	Subscribed capital	Capital reserve	Retained earnings
As at 01/01/2020	14,564	51,273	15,789
Net profit for 9M 2020			4,269
Benefits for employees settled with equity		584	
Capital increase	1,521	53,410	
Transaction costs from capital increase		-1,440	
As at 30/09/2020	16,085	103,828	20,058
As at 01/01/2019	14,565	49,904	6,029
Net profit for 9M 2019			7,958
Reserve for benefits settled with equity		998	
As at 30/09/2019	14,565	50,902	13,988

In € thousand	Attributable to shareholders in the parent company	Equity
As at 01/01/2020	81,627	81,627
Net profit for 9M 2020	4,269	4,269
Benefits for employees settled with equity	584	584
Capital increase	54,931	54,931
Transaction costs from capital increase	-1,440	-1,440
As at 30/09/2020	139,972	139,972
As at 01/01/2019	70,499	70,499
Net profit for 9M 2019	7,958	7,958
Reserve for benefits settled with equity	998	998
As at 30/09/2019	79,455	79,455

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